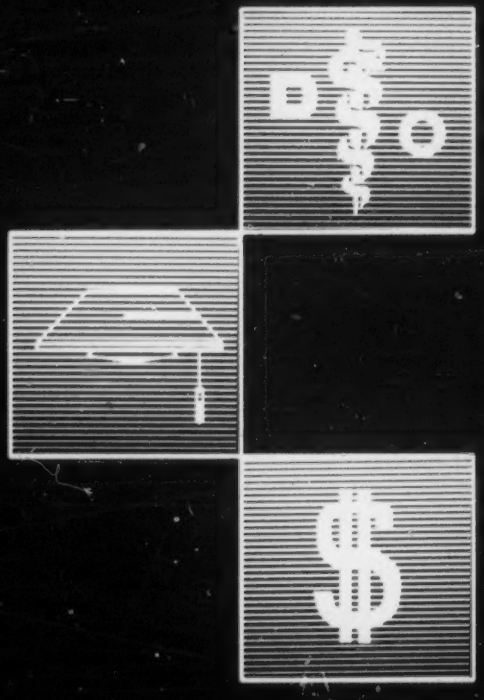
A0620-2-F 6/88

Debts and Career Plans of Osteopathic Medical Students in 1987



American Association of Colleges of Osteopathic Medicine

Debts and Career Plans of Osteopathic Medical Students In 1987

Prepared by

Don C. Zobell
Director, Information Services

American Association of Colleges
of Osteopathic Medicine

6110 Executive Boulevard, Suite 405
Rockville, Maryland 20852

April 1988

Summary

New doctors find themselves immersed in a world of debt when they graduate from osteopathic medical schools today. This situation affects the career decisions they make.

The average senior graduating in 1987 owed $60,000. The previous year, the average debt was $55,400; and, in 1985, it was $49,600. Debts have spiraled upward by several thousand dollars annually since 1983.

The statistical information presented in "Debts and Career Plans of Osteopathic Medical Students in 1987" is derived from a sample survey of freshmen and seniors in the 15 colleges of osteopathic medicine. This is the sixth consecutive year that this survey has been conducted by the American Association of Colleges of Osteopathic Medicine with the cooperation of the member colleges and their students. Survey questions probed characteristics of the new doctors, family backgrounds, economic status, career choices and indebtedness.

The 1987 seniors had predicted in their freshman year that they would graduate owing $58,000. This seemed a bold guess to make at a time when seniors owed an average $41,000. Today's economy, however, has made even that guess a bit too modest; in actuality, they owe $60,000. Today's freshmen expect a debt close to that of the current graduates, $59,400.

Financial burdens weigh heavy when new physicians make important career decisions. More than half the seniors reported that personal finances were a factor in determining their course of action following graduation and internship. Sixty percent of those entering practice acknowledged this and 34 percent said it was a major factor in their decision; many would have preferred additional study and a specialized residency. Alternatively, 46 percent of the seniors who opted to continue their osteopathic education also were reacting to economic pressure and the need for higher earnings to repay their debts; many would have chosen to enter practice directly as DOs. Though the graduate's choice may go either way, it is a choice strongly affected by the pressure for income.

About half the new physicians went directly into primary care, following a long-standing tradition of osteopathic medicine. Most DOs practice general and family medicine, internal medicine, and obstetrics/gynecology.

Graduates tend to practice in locations near their families, their pre-osteopathic education and their advanced education programs. Five years after graduation they are likely to be practicing in the same region where they first settled. In general, they prefer to work in areas about the same size or slightly larger than their home towns.

Seniors expected to earn an average $78,000 per year in five years; they predicted it would take 14 years to repay their graduating debt. Ninety-two percent of the graduates had taken loans. The most popular loan, the Guaranteed Student Loan, assisted 88 percent of the seniors and averaged $21,000 per loan. The Health Education Assistance Loan reached 63 percent and averaged $37,000. The average senior had assumed approximately three loans.

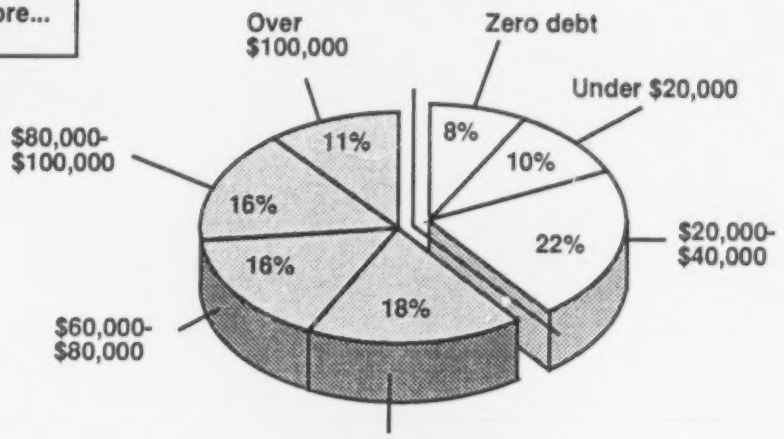
Students expecting to graduate debt-free tend to be from families with an average income of $90,000. The parents of 40 percent of the seniors had annual incomes under $30,000. Half the seniors said their fathers did not have a college education, but 33 percent had professional degrees, and 14 percent of these were physicians.

Chart I

DISTRIBUTION OF DEBTS AT GRADUATION

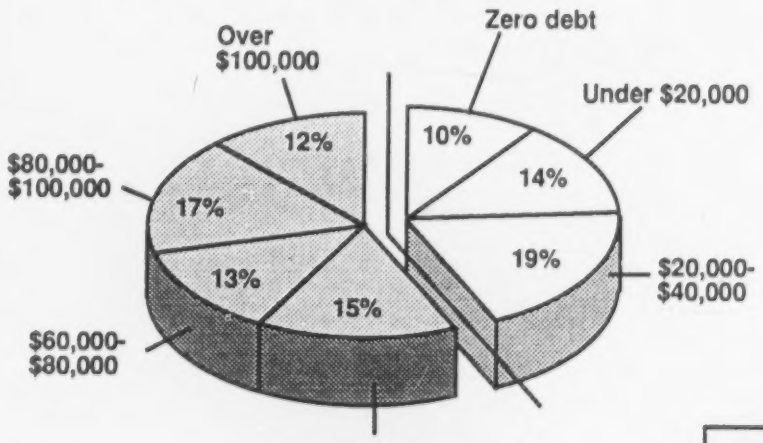
Sixty-one percent of the 1987 graduates owed $40,000 or more...

SENIORS



Average debt $60,000

FRESHMEN



Average debt $59,400

Fifty-seven percent of the freshmen expect to owe as much at graduation in 1990.

Debts and Marital Status

Seniors

New doctors carry heavy burdens of debt as they depart from osteopathic medical schools. The 1987 graduates owed an average $60,000. This was 8 percent higher than the debt of the previous year's graduates. Since 1983, indebtedness has risen by several thousand dollars annually.

As was reported in earlier years, about half the seniors were married. The single seniors owed about 2 percent more than the married ones. Of 328 seniors in our sample, nine married and 16 single students were free of debt. Eight married and five single seniors owed less than $10,000. Of those with heavy debts, 36 seniors -- 22 married and 14 single -- each owed over $100,000.

Freshmen

Freshmen in 1987 predicted they would owe about the same amount as the 1987 seniors when it is their turn to graduate. This is their estimate, made three years in advance. The average debt foreseen by 301 freshmen was $59,400. Thirty-six percent expected to owe more than $70,000. Twenty-eight percent were married, and they forecast a higher debt than the unmarried, $63,100 compared to $57,900. Ten percent of the freshmen expect to graduate free of debt, while 12 percent believe they will start their careers owing more than $100,000.

Distribution of Expected Debt at Graduation by Marital Status

Expected Debt	Seniors			Freshmen		
	Married	Unmarried	Total	Married	Unmarried	Total
Zero to $20,000	19%	17%	18%	21%	25%	24%
$20,000 - $40,000	22%	22%	22%	19%	19%	19%
$40,000 - $70,000	25%	27%	26%	16%	23%	21%
Over $70,000	34%	34%	34%	44%	33%	36%
Average Debt	$59,300	$60,700	$60,000	$63,100	$57,900	$59,400

Parents' Income

Seniors

Seventy-five percent of the seniors, as well as 65 percent of the freshmen, considered themselves financially independent of their parents.

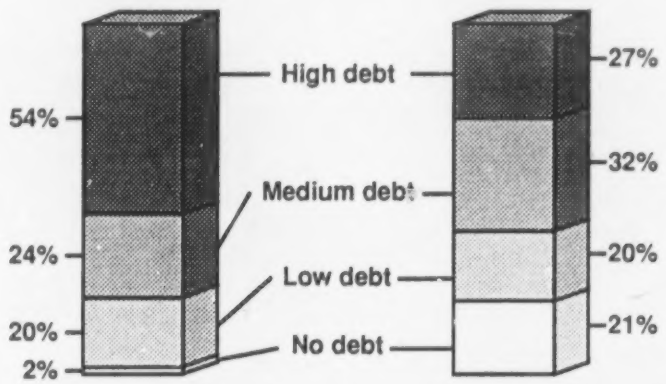
The average parental income for all seniors was $46,000. Those students expecting to graduate without debt tend to be from upper-income families: the average parental income of these students was $90,000.

Forty percent of the seniors had parents with income under $30,000; 32 percent with income of $30,000 to $60,000; and 28 percent with income over $60,000.

Chart II shows the distribution of the relative size of debt for seniors of low and high income families.

Chart II
FAMILY INCOME AND DEBT

More than half the seniors from low income families graduate with debts over $60,000.



Average debt	$68,000	$50,000

Freshmen

Freshmen, looking forward to graduating in 1990, expect to present a situation similar to that of the seniors. Of those who predict they will graduate free of debt, 50 percent have parents averaging $75,000 income. Those expecting debts over $30,000 are likely to come from families with an average income of under $40,000. The average parental income of all freshmen in the survey was $44,000. Forty-three percent of the freshmen reported parental income under $30,000, 34 percent between $30,000 and $60,000, and 23 percent over $60,000.

Parents' Education

Almost half the seniors reported that their fathers did not have a college education. However, 33 percent of the fathers had professional degrees and 14 percent of these were physicians. A quarter of the seniors' mothers had a college degree or better and 8 percent of them were physicians or nurses. A similar distribution applies to the parents of freshmen.

Scholarships and Grants

Seniors

The number of scholarships and grants is low and has been decreasing each year. About a third of the seniors received scholarships or grants to help them finance their osteopathic medical education. In 1985, there were 209 scholarships awarded, compared to 144 in 1986, and 109 in 1987. The major sources were the osteopathic school, its parent university, or state governments.

Freshmen

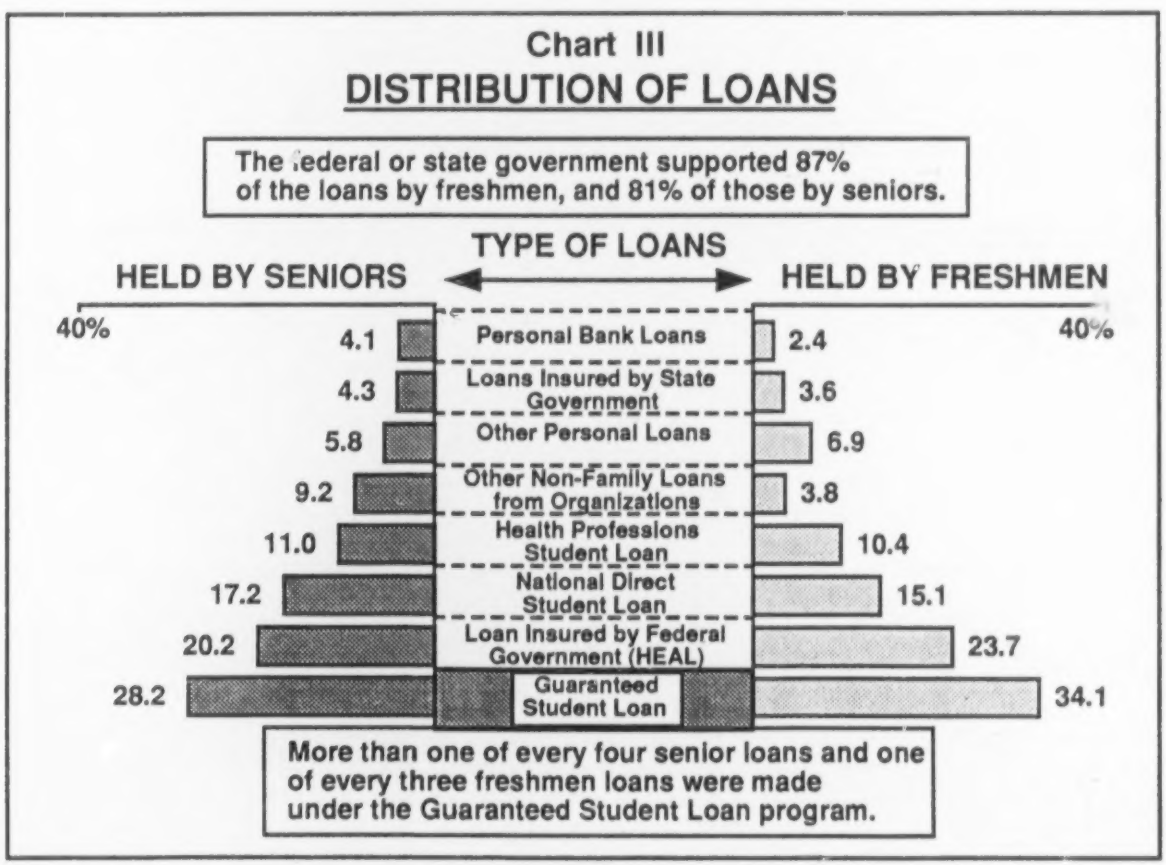
Among freshmen, 57 scholarships were given in 1987. Sixteen of them were provided by the schools, 15 by the state governments, and the rest by federal or other sources.

Loans

Seniors

The guaranteed student loans were the most popular type of loan to future DOs. They represent 28 percent of the senior loans, and were taken by 88 percent of the class. The average size of these loans was $21,000.

Other principal types of loans were Health Education Assistance Loans (HEAL), held by 63 percent of the seniors, and National Direct Student Loans (NDSL), held by 54 percent. The average size of the HEAL loan was $37,000, and the average NDSL loan was $5,200. A little more than a third of the seniors had received Health Professions Student Loans, which averaged $11,000.



In addition, 13 percent of the students had loans insured by state governments, 13 percent had personal bank loans, 29 percent had loans from osteopathic societies, and 18 percent reported other personal loans. Some students had several different types of loans. Less than eight percent of the seniors graduated free of educational debt.

Freshmen

Nine of every 10 freshmen will be in debt after completing their osteopathic medical education. As with the seniors, the guaranteed student loan was the one most frequently used; 87 percent of the students have or expect to have loans insured by federal or state government under the GSL program. The HEAL program will have insured federal loans for 61 percent of the freshmen; more than a third had or will have NDSL loans, and more than a fourth will have Health Professions Student Loans. HEAL loans, which average about $40,500, are the largest of those to be made by the freshmen.

See Chart III, page 9, on distribution of loans.

Expected Income and Debts

Seniors

In the first year after graduation and internship, seniors with debts over $90,000 expected to earn $64,000 per year. The anticipated income of this high-debt group was higher than the prediction of the groups with fewer debts. Those who were free of debt expected an average income of $54,000.

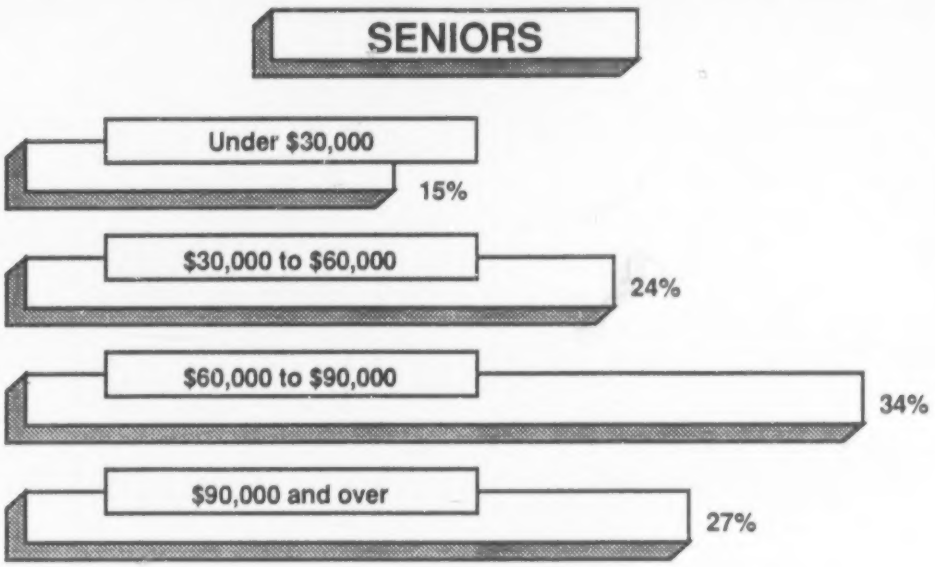
Five years after internship, seniors with the highest debts predicted an annual income of $80,000, and those without debt foresaw an average of $65,000. The average earnings that seniors expected in five years was $78,000 a year. See Chart IV for expected earnings after five years.

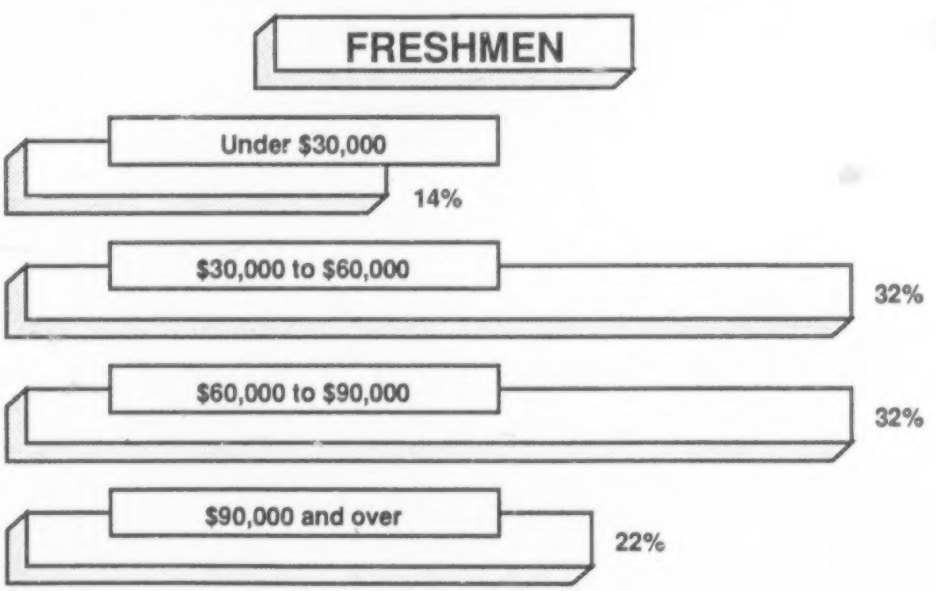
Many of the seniors owed between $30,000 and $60,000 and expected to earn from $60,000 to $90,000 per year.

Almost 10 percent of the seniors had agreed to provide service after graduation in order to obtain grants. Forty-five percent of this group agreed to serve with the military; an additional 23 percent would work with the state government.

Chart IV

EXPECTED EARNINGS FIVE YEARS AFTER GRADUATION





Many students graduate owing more than they expect to earn per year. They say it will take 12 to 14 years to pay their college debt.

The average senior expects to repay the loan within 14 years. Eleven percent of them had made loans from their families, and one out of six of these has been forgiven repayment of the loan. The average family loan to be repaid is about $17,000. Six percent of the seniors had received a waiver of their tuition, which amounted to approximately $15,000.

Freshmen

A year after graduating and interning, freshmen expecting to owe over $90,000 believe their annual income will average about $51,000. Those who expected to graduate without debt generally came from wealthier families and were more hopeful, anticipating an average income of $64,000.

Five years later, those who will have debts over $90,000 predicted an income of $69,000 a year; those with lower debts (under $30,000) report an expected income of $78,000.

Almost 10 percent of the freshmen had made loans from their families, and most of them plan on repaying those loans. Family loans to be repaid averaged about $13,000. Less than three percent had been given waivers of their school tuition.

Financial Counseling

Seniors

Once again, many students reported that when they applied for admission they did not receive adequate information about financial aspects of their medical education. Of the 1987 seniors, 45 percent said the information provided answered most of their questions. Another 44 percent said they received some, but not enough information, and 8 percent said they received no financial aid information. Three percent did not respond.

During their years at the osteopathic medical schools, 46 percent of the seniors said they had been given adequate financial information; another 48 percent said they had not been given enough, while 5 percent reported they had received no information.

While basic financial matters were discussed with most of the seniors during their school years, some complicated financial maneuvers often were omitted from these discussions. These related to refinancing loans, loan consolidation, loan interest in reporting income tax, and penalties for late payment. The subjects most frequently covered were sources of financial aid, amount of loans, and terms of payment.

Freshmen

The 1987 freshmen received more financial information than the current seniors before attending osteopathic medical schools. Fifty-seven percent of the freshmen indicated that they had received enough information before enrolling, while 39 percent said they had acquired some but not enough, and only 3 percent had been given no information.

Financial counseling appears to have improved recently. Fifty-eight percent of the freshmen said they had received adequate counseling while attending osteopathic medical schools. This compares with 39 percent who indicated they received some but not enough counseling, and 3 percent who said they had received no financial counseling.

The financial advice provided the 1987 freshmen was similar to that offered freshmen in prior years. They were informed about sources of financial aid, the amount of loans, and terms of repayment. They did not, however, learn much about refinancing or loan consolidation, penalties for late payments, or interest and income tax deductions associated with loans.

Both the freshmen and seniors appeared to understand the essentials of their loans, including the name of the lender, the terms of the loan, the interest rate and the initial payment date. But they were not fully aware of their eligibility for loan consolidation, the consequences of deferring payment or interest, or the length of their loan payment period.

Post-Graduation Plans

Seniors

Forty-one percent of the seniors reported that they plan on entering residencies in advanced osteopathic education right after graduating and completing internship. Another 26 percent will pursue an advanced education in a non-osteopathic field. Fifteen percent intend to be self-employed DOs, most of them with partners; 7 percent will enter a group practice, and a few will join other types of private practice. Four percent will enter government service, and 6 percent were still undecided about their course of action.

One out of four graduates said their financial situation was a major factor in their choice of activity. About 70 percent of the students choosing advanced education (osteopathic or non-osteopathic) said they would have preferred to be self-employed DOs in single practice. However, about half of those going directly into private practice reported that they would have preferred advanced osteopathic education in residency.

Five years after graduation, 54 percent of the seniors intend to be self-employed DOs, most of them working with partners. Another 20 percent hope to be engaged in group practice. Eleven percent plan to pursue advanced education. General practice was the specialty choice for 33 percent, internal medicine for 11 percent, and pediatrics for 4 percent. Other seniors mentioned 20 different specializations. Overall, 54 percent of the seniors said that their financial situation was a factor in their selection of a specialty.

Freshmen

About a third of the freshmen anticipated entering practice following internship; 16 percent expected to enter with a partner, 7 percent planned on a group practice, others anticipated self-employment or other private practice. Forty-eight percent planned on continuing their osteopathic education and specializing. Four percent expected to enter advanced non-osteopathic education, and two percent to join government service: 14 percent were not yet decided on post-graduate plans. For 45 percent, their financial situation was a factor in determining their plans; for 11 percent it was a major factor.

Five years after graduation, 61 percent expect to be self-employed DOs; 43 percent of them predict they will be working with partners, 18 percent foresee a single practice. Another 12 percent plan to participate in a group practice, and 6 percent in other types of private practice. Seven percent expect they will still be in residency, and a few others plan on being in government or other fields. Freshmen are more likely than seniors to expect to work without partners, and less likely to plan on a group practice.

Specialty interests of the seniors and freshmen were somewhat similar. Primary care was the choice of 44 percent of the freshmen; 28 percent chose general or family practice, 9 percent internal medicine, and 8 percent pediatrics. Other freshmen selected 21 different specialties. Forty-four percent said their financial situation was a factor in choosing their specialty.

Primary Care Specialization

The osteopathic medical profession always has placed its emphasis on primary care, which includes general or family practice, general internal medicine, and pediatrics. Both seniors and freshmen chose primary care in preference to any other medical specialty. In 1987, 48 percent of the seniors and 44 percent of the freshmen made this choice.

Thirty-three percent of the seniors and 28 percent of the freshmen selected general practice; 11 percent of the seniors and 9 percent of the freshmen intended to practice internal medicine; 4 percent of the seniors and 7 percent of the freshmen planned on a specialty in pediatrics. Other specialties preferred by the 1987 seniors included emergency medicine, obstetrics/gynecology, and orthopedic surgery.

Although many DOs intend to specialize in other fields, the majority of the osteopathic physicians still are employed in primary care practices. Recent data from the American Osteopathic Association indicate that 56 percent of its members are engaged in general or family practice, and in associated fields of general internal medicine, pediatrics, and obstetrics/gynecology.

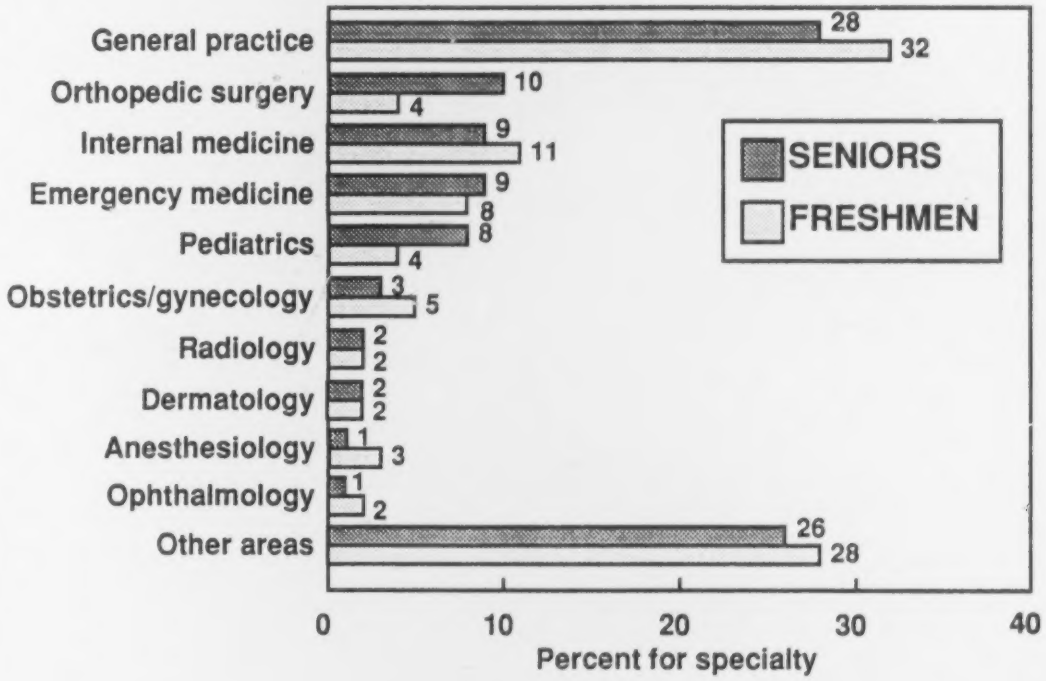
The significant percentage of seniors who report interest in specialties other than family practice indicates that many would like to pursue training in these specialties. The reality, however, is reflected in a recent AACOM survey that showed that while 47 percent of the 1983 graduating seniors had given primary care as their preference in their senior year, as many as 63 percent were actually engaged in primary care during the third year after their graduation.

See Chart V, page 16, on specialization.

Chart V

SPECIALIZATION

Almost half the students in both classes intend to specialize in the fields of primary care.



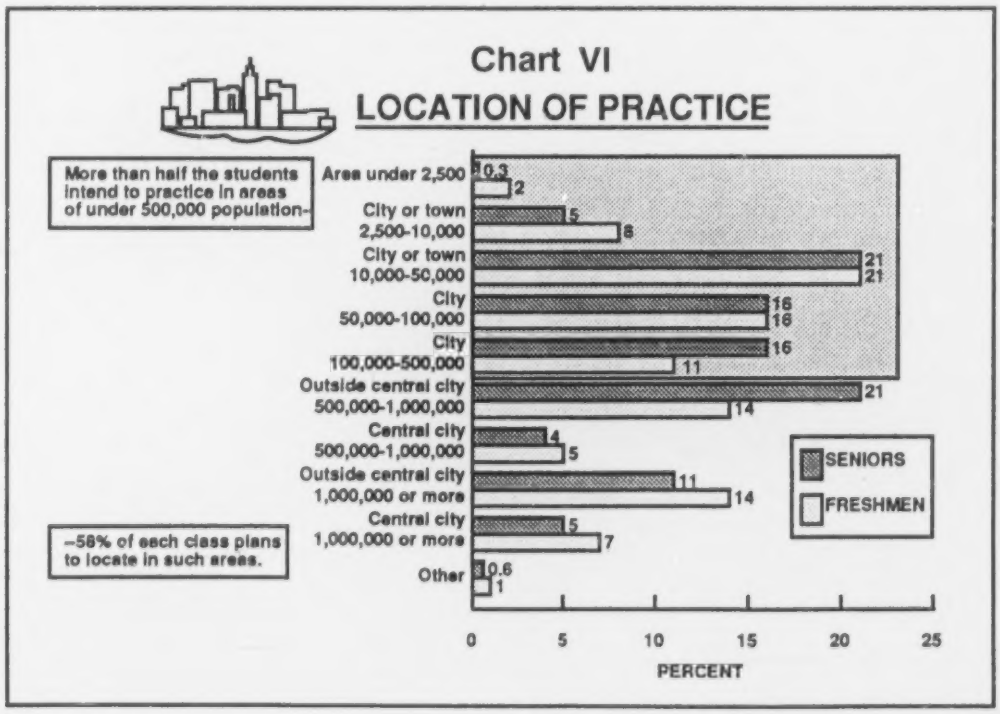
Future Location

Seniors

Osteopathic college seniors expressed a strong preference for establishing practice in five regions of the United States within five years of graduation. Thirty-four percent chose the mideastern United States, 16 percent preferred the southeastern region, 12 percent chose the southwest, 10 percent the north central region, and 10 percent the northwest. Seven percent each chose New England and the south central regions. Four percent did not indicate a preference.

The homes of the seniors' parents and the educational programs of the future DOs were the principal factors in their choice of where to establish a practice. Many of them chose to set up practice near their parents' residences, near their osteopathic or pre-osteopathic schools, and\or advanced educational facilities.

More than half the seniors prefer to establish practice in cities ranging from 10,000 to 500,000 population. These cities are comparable in size to those where they grew up and attended school. Sixteen percent chose major metropolitan areas of a million or more people, while another 21 percent chose suburbs of metropolitan areas under a million. Details are shown in Chart VI below.



Freshmen

First year osteopathic students sometimes registered a slightly different pattern of location preferences from those chosen by seniors. Although over 28 percent of freshmen chose mideastern United States, the principal choice of the seniors, other areas showed differences. Seventeen percent chose the southwest while 13 percent preferred the north central region. The southeastern region was the choice of 16 percent of the freshmen.

Freshmen in 1987 appear to be less interested than seniors in establishing practices close to their parents' homes or to their undergraduate or osteopathic college. They were also less inclined to establish their practices close to an advanced education program, by 13 percent compared to 26 percent for the seniors.

Almost half the freshmen class (47 percent) were raised in areas of population between 10,000 and 500,000. Approximately 48 percent of the freshmen proposed to set up practice in areas of similar population densities. Thirty-two percent of the freshmen came from metropolitan areas of 500,000 or more people, and about 40 percent planned to establish practices in areas of similar population. About 22 percent of the freshmen came from areas with less than 10,000 population, but only about half that number planned to establish practices in these smaller areas.

About 50 percent of both freshmen and seniors plan to locate their practices in areas of the same demographic size or in population areas slightly larger than their home towns.

See Chart VI, page 17, on location of practice.

The Survey

The data for this sixth AACOM report on debt and career plans of students were compiled with the cooperation of administrators, faculty, and students at the 15 colleges. The survey questionnaires have been a means for students to express their hopes and fears of their coming years as new physicians.

This survey was based on stratified random sampling of freshmen and seniors in each of the schools of osteopathic medicine during the 1986-87 class year. Of 1,724 freshmen, a sample of 444 was selected; 301 reports were received, representing 17.5 percent of the total number of freshmen. Similarly, a sample of 539 seniors was selected from a total of 1,607 seniors. Questionnaires were returned by 328 seniors, representing 20.4 percent of the total.

The data reported by the students have been consistent, both internally and with those previously reported. Their responses reflect a continuing upward trend in the amount of their debts and their expectations of higher income to enable them to pay off their indebtedness. A knowledge of their situation is essential to our understanding the problems of the availability of osteopathic health care in the years ahead.

The American Association of Colleges of Osteopathic Medicine expresses its appreciation to the osteopathic medical schools, their staff, and their students for the assistance they have provided in making these surveys possible.

Other Publications Available from AACOM

The Education of the Osteopathic Physician — a newly revised comprehensive book which provides information essential to the health professions advisor and the prospective student of osteopathic medicine. Included is information on the educational process - medical school through internship and residency, licensure, practice options, and history and philosophy of osteopathic medicine. Admissions criteria and brief overviews of the fifteen osteopathic medical schools are also provided.

$7.00 per copy

Osteopathic Medical Education — single copies of this brochure are available from AACOM free of charge. Multiple copies are available at $7.50 per 50 copies and $12.00 per 100.

College Information Booklet — contains information on the fifteen osteopathic colleges including a brief description of each college, admissions criteria, minimum entrance requirements, supplementary application materials required, an indication of class size or enrollment, application deadlines, and tuition.

$1.00 per copy
Bulk rates @ $12.50 per 25 copies, $37.00 per 100

A Guide to Sources of Financial Aid for Osteopathic Medical Students — a comprehensive listing of financial aid resources available to osteopathic medical students, including descriptions of each program and eligibility criteria.

$6.50 per copy

Application Packet — contains application for the centralized application service, procedures for applying, and college information.

No charge

AACOM Organizational Guide — contains information on the organizational structure of the Association, a list of members of its councils, sections, and committees, and a listing of administrative staff and faculty in the fifteen member colleges of osteopathic medicine.

$5.00 per copy

Study on Competency Based Objectives for Undergraduate Osteopathic Medical Education — contains information on the minimum clinical competencies expected of a newly graduated osteopathic physican, the component elements contributing to those competencies, and a timetable for the introduction and/or completion of these comptencies. Competency objectives for the five core areas of osteopathic medical education - medicine, surgery, pediatrics, obstetrics/gynecology, and general and family practice - are identified.

$18.00 per copy

Annual Statistical Report — a compilation of information gathered primarily from the colleges of osteopathic medicine. The statistical data, which are presented in tables and charts with accompanying text, relate to the characteristics of applicants and matriculants in the osteopathic colleges, faculty, curriculum, sources of grants and loans, and distribution of revenues and expenditures.

$10.00 per copy